

which is one of the reasons I love the President, even though I do not always agree with what he is agreeing to.

In trying to get this moving, he agreed we were going to give tax cuts to people who did not pay any taxes. That is like dropping money out of airplanes. I do not think it stimulates the economy because we took the money from taxpayers and are giving it to people who did not pay taxes.

If we want to stimulate the economy, we have to find a way with the \$75 billion to get people to spend not only it but other things. We get that done by finding ways of spending the money that encourage other people to spend their money. Unfortunately, the other people who are spending their money are people who have money and, hence, almost any stimulus package that is worth anything could be criticized that somebody who is wealthy is going to be stimulated to invest their money and they at least think they are going to benefit.

The point is, America cannot be saved except at a profit. The fact that somebody will make money based on a stimulus package is the end objective.

There are two ways we can go about a stimulus package. If I could write the stimulus package, I would write it as follows: First, I would have cut the capital gains tax rate. It does not cost us anything for 2 years. Our experience with it, beginning at the end of the Second World War, has been almost uniformly positive. I have argued for it incessantly. The President decided not to propose it because he saw it as polarizing.

I also believe that making the tax cut permanent would stimulate the economy and bring stability to the economy. It is very destabilizing to have a tax cut that is going to dramatically change and, in fact, go away in 9 years. All over America today, people who could be investing are taking \$20,000 per child and locking it up in IRAs and in gifts to their children and grandchildren to try to avoid the death tax, even though we claim we repealed it. It is coming back in 9 years. So people who expect to live 9 years are using up their resources planning for it.

A decision was made that making the tax cut permanent would be too provocative in a partisan sense, and so that was not enough.

Senator GRASSLEY put together a good package given what we had already agreed to take off the table. I want to make the point—and I make it because Senator BYRD is here. Senator Byrd is going to propose some infrastructure spending. It has a disadvantage and an advantage, but it is one of the few proposals that is being made other than those that are targeted in the sense of targeting investment, tax cuts.

There is no doubt about the fact that accelerated depreciation—allowing people to spend so if they buy new capital equipment to create jobs or open a factory they can write off more of it

quicker—there is no question about the fact that a little bit of money there produces a substantial economic response.

I think we should be doing more of that. When people ask what cutting tax rates and accelerating the tax cut has to do with incentives to invest, do they not realize that 80 percent of the income tax paid by the top 1 percent of taxpayers is paid by small businesses filing under subchapter S as individuals? The top tax rate is really a small business tax rate. When people are saying the average person in that tax bracket will earn \$600,000 or \$700,000 a year, that average person is really Joe Brown and Son hardware store in Texas or West Virginia somewhere, and it is really their rate about which we are talking.

I see that as a very important incentive. I have to say when I look at the list of things we are doing, such as giving movie producers and recording artists and authors tax breaks, I would much prefer lowering the tax that affects investment or spending money on highways as compared to that kind of expenditure.

Let me turn to the whole question of infrastructure, and then I want to sum up before I run out of time.

In fact, how much time do I have?

The PRESIDING OFFICER. The Senator has 2 minutes 27 seconds.

Mr. GRAMM. The advantage of infrastructure is that by improving infrastructure, private investment can be induced. We get the impact not only of building a north/south interstate highway system in Texas, which is what we need—I do not know what they need in West Virginia, but I know we are way behind on highway construction, despite the success we have had recently in which the Senator has been a leader. But we can get a multiplier effect by the private sector investing as infrastructure is improved.

If we are going to use infrastructure as part of a stimulus package, we have to find a way to speed it up because in the postwar period not much infrastructure spending ever really got going until the recession was over.

I will sum up by saying what I think we need to do. First of all, I am going to make a point of order against the pending amendment, not the underlying bill. The point of order is that the pending amendment violates the budget rules. We decided in the 2001 budget that emergency designations for non-defense matters were being abused, and we eliminated them; they violate the Budget Act. But they are being used in violation of the Budget Act, and therefore there is a 60-vote point of order.

Everyone knows the bill before us is not going to become law. So why not make it clear that is the case, so we can end these partisan debates that I know discourage people back home, and sit down around a table and work up a compromise. Compromise means some people get some things they want and other people get things they want.

It seems to me we agree on providing incentives for investment through expensing and through accelerated depreciation. It is in both bills. There has to be a compromise level. We differ greatly as to what we really believe will stimulate the economy. The logical thing to do, it seems to me, is to take half of the funds and do it through stimulation by lowering marginal tax rates to encourage investment, which is what I believe works, and then taking the other half as the Democrats want to use it and spend it, whether they spend it on infrastructure or whether they spend it in terms of health benefits.

In terms of health benefits, it is one thing to help people with health insurance, but it is another thing to set up a bureaucracy that probably would not even be in place until the recession was over. So in terms of spending money on health, I think there could be a compromise.

In terms of setting up this bureaucracy, I do not think the President would agree with that and I do not think that could happen. We have to sit down and work out a compromise. I think the Nation wants us to do it. The sooner we can get on with it, the better off we will be.

RESERVATION OF LEADER TIME

The PRESIDING OFFICER. Under the previous order, the leadership time is reserved.

ECONOMIC RECOVERY AND ASSISTANCE FOR AMERICAN WORKERS ACT OF 2001

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of H.R. 3090, which the clerk will report.

The bill clerk read as follows:

A bill (H.R. 3090) to provide tax incentives for economic recovery.

The PRESIDING OFFICER. The Senator from Montana.

COMMITTEE AMENDMENT, WITHDRAWN

Mr. BAUCUS. On behalf of the Finance Committee, I withdraw the committee amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 2125

Mr. BAUCUS. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Montana [Mr. BAUCUS] proposes an amendment numbered 2125.

Mr. BAUCUS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Is there objection?

Mr. BYRD. Mr. President, reserving the right to object.

The PRESIDING OFFICER. The Senator from West Virginia reserves the right to object.